PUBLIC ECONOMICS

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EXERCISES

TOPIC 1.1. THE PUBLIC SECTOR ECONOMY AND ITS OBJECT OF STUDY

EXERCISE 1
Define, appropriately, the following concepts related to budgetary terms:
1. Public Sector.
2. Public Administrations.
3. Public Companies.
4. Public Budget.
5. Budgetary Cycle.
6. Organic Classification of Budget.
7. Functional Classification of Budget.
8. Economic Classification of Budget.
9. Primary deficit.
10. Conjunctural deficit.
11. Structural Deficit.

EXERCISE 2
Using the following information on an economy whose GDP is 4000 millions of monetary units, determine the G1 and G2 expenditure indices, as well as the tax pressure (or fiscal pressure):

EXPENDITURES		REVENUES	
Personal expenses	150	Indirect taxes	300
Transfers	800	Direct taxes	500
Land purchases	50	Indebtedness	200

EXERCISE 3: ***Multiple choice questions***

1. *From the point of view of the positive or normative analysis of Public Economics, qualify the characterization of the following question: At what level of government (central, autonomous or local) should public action be developed?*

a) The answer to this question requires a positive analysis.
b) The answer to this question requires a normative analysis.
c) The answer to this question requires a positive and normative analysis.
d) None of the answers is correct.

2. *Public Budget contains:*

a) Public Sector expenditure provisions.
b) Public Sector revenue authorisations.
c) Answers a) and b) are correct.
d) None of the previous answers is correct.

3. *Within the budgetary cycle, the Court of Auditors is involved at the stage of:*

a) Preparation.
b) Execution.
c) Control.
d) Approval.

4. *If within the Public Sector Budget we find an item called "Ministry of Public Works: 4.9 billion euros", what budget classification are we in?*

a) Organic.
b) Economic.
c) Functional.
d) None of the previous answers is correct.

5. *The tax burden index is defined as:*

a) Public Sector coercive revenue divided by GDP.
b) Public sector coercive revenue divided by gross investment.
c) Total Public Sector revenues divided by GDP.
d) Total Public Sector revenues divided by Consolidated Public Expenditure.

6. *The effects of AUTOMATIC STABILIZERS are as follows:*

a) Proportional income taxes like on personal income… and surplus or transfer payments such as unemployment payments.
b) Progressive income taxes like on personal income… and surplus or transfer payments such as unemployment payments.
c) Proportional taxes like on value added tax… and surplus or transfer payments such as unemployment payments.
d) Progressive business taxes like on tobacco tax… and surplus or transfer payments such as unemployment payments.

7. *The Primary deficit is:*

a) The Financial Need - Net Interest burden of public investment, so interest charge depends on previous budgetary policy and primary balance reflects better than non-financial balance the discipline or sustainability of budgetary policy.
b) The Financial Need - Net Interest burden of public employment, so interest charge depends on previous budgetary policy and primary balance reflects better than non-financial balance the discipline or sustainability of budgetary policy.
c) The Financial Need - Net Interest burden of capital account balance, so interest charge depends on previous budgetary policy and primary balance reflects better than non-financial balance the discipline or sustainability of budgetary policy.
d) The Financial Need - Net Interest burden of public debt, so interest charge depends on previous budgetary policy and primary balance reflects better than non-financial balance the discipline or sustainability of budgetary policy.

8. The BUDGET classifications of income and expenses are as follows:

a) ORGANIC: Provision of expenditure revenues that are collected by Public Sector units with powers over them. It determines who has the capacity to collect tax; ECONOMIC: It shows the body of expenditure made by management centers or source of income that is expected to be collected. It points out how it must be spent; FUNCTIONAL AND PROGRAMS: It collects the purpose of the expense, sometimes to set objectives. It summarizes by what or on what spending is destined to.

b) ORGANIC: It collects the purpose of the expense, sometimes to set objectives. It summarizes by what or on what spending is destined to. ECONOMIC: It shows the body of expenditure made by management centers or source of income that is expected to be collected. It points out how it must be spent; FUNCTIONAL AND PROGRAMS: Provision of expenditure programs that are distributed by management centers (Public Sector units with powers over them). It determines who has the capacity to spend.

c) ORGANIC: Provision of expenditure programs that are distributed by management centers (Public Sector units with powers over them). It determines who has the capacity to spend; ECONOMIC: It shows the body of expenditure made by management centers or source of income that is expected to be collected. It points out how it must be spent; FUNCTIONAL AND PROGRAMS: It collects the purpose of the expense, sometimes to set objectives. It summarizes by what or on what spending is destined to.

d) ORGANIC: It shows the body of expenditure made by management centers or source of income that is expected to be collected. It points out how it must be spent; ECONOMIC: Provision of expenditure programs that are distributed by management centers (Public Sector units with powers over them). It determines who has the capacity to spend; FUNCTIONAL AND PROGRAMS: It collects the purpose of the expense, sometimes to set objectives. It summarizes by what or on what spending is destined to.